

CONSIDER OTHER REVENUE SOURCES— DO NOT TAX ALL PENSIONS

I urge you to oppose and vote no on the Governor's proposal to tax pensions and cut business taxes. The Governor states that his proposal is tough, fair and necessary. I take issue with his claim that it is *fair*. It does not spread the sacrifice equally. The poor and middle class are the groups that this targets.

First, I do support the Governor's proposal to increase state revenues (increase taxes). It is important for politicians to finally realize the state of Michigan needs to raise revenue, we cannot continue to "cut our way to the bottom". I commend the Republican party's leadership in proposing revenue increases. However, the method proposed to increase tax revenue is **NOT FAIR**. At the same time his proposal calls to tax pensions; his proposal calls for a 1.8 billion dollar tax **BREAK** for business. How is that *fair*?

I suggest that before pensions are to be taxed the state first look for other options for revenue. First we should *CLOSE existing tax loopholes*. "Valued at nearly \$35.8 billion, tax expenditures are the silent drain on our state budget. While many provide an economic incentive, Michigan continues to provide a number of tax loopholes and giveaways to corporations failing to live up to their promise to the state. According to a recent non-partisan PEW report on states, as of 2008, Michigan offered \$6.3 billion more in total tax exemptions, credits and deductions than it actually collected in taxes—a decade earlier, our state collected \$6.8 billion more in taxes than exempted" (PEW Report on States). Once a loophole is created it never goes away!

- Are you aware that no one pays any state taxes on items sold in vending machines in Michigan?
- Our beer tax has not been increased since 1966. Even a small tax increase (\$.05 a bottle) in beer could easily raise over \$100 million dollars!
- A targeted tax on some services would also be *fair*.

Taxing Pensions:

I would like to suggest that if pensions are to be taxed, then they should be "means tested". We should not be taxing the poor folks who try to exist on very meager pensions. Many people who receive pensions retired years ago at very low wages. A teacher, school secretary, or other state retiree who retired years ago does not have a large pension and they contribute toward their health care costs too. I suggest if pensions are to be taxed then a fair place to start would be to tax those who pensions exceed the amount that private pensions are currently taxed at (\$45,000 or higher). Most of us on pensions would agree with pension taxes IF they are perceived to be *FAIR*...ie means tested.

A graduated income tax should be considered as this obviously can be structured to be more fair to the middle class and the poor. Financial experts state that if Michigan would move from a flat income tax to a graduated income tax that alone would raise over \$600,000 million a year.

<http://abettermichiganfuture.org/abmffactsheetbw.pdf>.

A more equitable and acceptable tax strategy would be:

- 1st - find savings in private sector State Contracts (now over \$15 Billion annually)
- 2nd - implement a sales tax on services (especially luxury services like spa treatments massages etc.)
- 3rd - end some of the Corporate and/or Business loopholes - some of that 35.8 billion
- 4th - a graduated Income Tax structure which could include pensions above \$45,000 for single payers or \$ 90,000 for joint filers (This is probably acceptable to most people)

In summary, I agree with the need to increase state revenues. During this past decade we have failed to invest in our future. The decrease support to K-12, higher education and our infrastructure is a threat to our future. Let's tackle our need to make these investments in a fair and equitable way.

Sincerely,

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